PROVINCE OF SASKATCHEWAN

2008

ANNUAL REPORT

SASKATCHEWAN WATER CORPORATION
RETIREMENT ALLOWANCE PLAN

Table of Contents

Letters of Transmittal 2
Introduction 3
Enrollment 3
Benefits 3
Management's Report 4
Actuaries' Opinion 5
Financial Statements

Auditor's Report 8
Statement of Net Assets Available for Benefits, Accrued Benefits Obligation and Surplus 9
Statement of Changes in Net Assets Available for Benefits 10
Statement of Changes in Accrued Benefits Obligation 11
Notes to the Financial Statements 12

Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2008.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ending December 31, 2008.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Water Corporation Retirement Allowance Plan

Introduction

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the Income Tax Act (Canada). The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA).

Enrollment

The Plan includes all out-of-scope employees of the Corporation. As at December 31, 2008, there were 33 (2007 - 36) active members in the Plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provision of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-two (42) days pay effective January 1, 2008 (2007 – forty-one (41) days pay). Benefits will increase to a maximum of forty-three (43) days pay effective January 1, 2009. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Water Corporation Retirement Allowance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Water Corporation Retirement Allowance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Saskatchewan Water Corporation Retirement Allowance Plan for the year ended December 31, 2008 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 12, 2009

Actuaries' Opinion

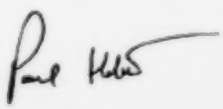
Aon Consulting was retained by the Saskatchewan Water Corporation (SaskWater) to perform an actuarial valuation of the SaskWater Retirement Allowance Plan's financial status as of December 31, 2008. This valuation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2008.

In my opinion, for the purpose of this actuarial valuation:

- The data on which this valuation is based is sufficient and reliable;
- The assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered an opinion on them; however, the assumptions are, in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the valuation;
- The actuarial cost methods employed are appropriate; and
- The valuation conforms with the requirements of the Canadian Institute of Chartered Accountants.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.



Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

March 12, 2009

Saskatchewan Water Corporation
Retirement Allowance Plan

Financial Statements

Year Ended December 31, 2008

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued benefits obligation and surplus of the Saskatchewan Water Corporation Retirement Allowance Plan as at December 31, 2008 and the statements of changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued benefits obligation and surplus of the Plan as at December 31, 2008 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 12, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Saskatchewan Water Corporation
Retirement Allowance Plan **Statement 1**
Statement of Net Assets Available for Benefits, Accrued Benefits Obligation and Surplus

As At December 31

	2008	2007
NET ASSETS AVAILABLE FOR BENEFITS		
SaskWater contribution receivable (Note 3)	$155,500	$177,100
	155,500	177,100
Accrued benefits obligation (Note 3)	155,500	177,100
Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31

	2008	2007
INCREASE IN ASSETS		
Increase in SaskWater contribution receivable (Note 3)	$ -	$ 21,100
Total increase in assets	-	21,100
DECREASE IN ASSETS		
Benefit Payments	21,000	-
Decrease in SaskWater contribution receivable (Note 3)	600	-
Total decrease in assets	(21,600)	-
(Decrease) increase in net assets	(21,600)	21,100
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	177,100	156,000
NET ASSETS AVAILABLE FOR BENEFITS, end of the year (Statement 1)	$155,500	$177,100

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan
Statement of Changes in Accrued Benefits Obligation

Statement 3

Year Ended December 31

	2008	2007
Accrued benefits obligation, beginning of the year	$177,100	$156,000
INCREASE IN ACCRUED BENEFITS OBLIGATION:		
Benefits accrued	7,800	7,700
Interest on accrued benefits	8,700	7,400
Plan experience	-	100
Change in plan provisions	-	10,100
	16,500	25,300
DECREASE IN ACCRUED BENEFITS OBLIGATION:		
Benefit payments	21,000	-
Change in assumptions	15,000	4,200
Plan experience	2,100	-
	38,100	4,200
Accrued benefits obligation, end of the year (Statement 1)	$155,500	$177,100

(See accompanying notes to the financial statements)

Saskatchewan Water Corporation
Retirement Allowance Plan
Notes to the Financial Statements

December 31, 2008

1. Description of the Plan

The Saskatchewan Water Corporation (the Corporation) established the Saskatchewan Water Corporation Retirement Allowance Plan (the Plan) on April 1, 1999 for the purpose of providing certain retirement benefits to out-of-scope employees of the Corporation.

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of the Corporation.

The Corporation managed the Plan from April 1, 1999 to November 16, 2004. On November 16, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and the Corporation, which specifies the administrative services that the Corporation will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

The Plan includes all out-of-scope employees of the Corporation. As at December 31, 2008, there were 33 (2007 – 36) active members in the plan.

Benefits

Members of the Plan retiring from the Corporation, in accordance with the provisions of the pension plan they are enrolled in, are paid a retirement allowance of two (2) days pay for each year of service or portion thereof to a maximum of forty-two (42) days pay effective January 1, 2008 (2007 – forty-one (41) days pay) and increasing to a maximum of forty-three (43) days pay effective January 1, 2009. The retirement allowance is calculated at the employee's regular rate of pay at the date of retirement.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from the Corporation and will be funded by the Corporation as eligible employees retire. The present value of the accrued benefits obligation

was determined using the projected benefits method prorated on service and the best estimate assumptions of the Corporation's management. Plan experience is the difference between the expected and actual accrued benefits obligation and is recognized as an increase or decrease in the statement of changes in accrued benefits obligation. Aon Consulting Inc. performed an actuarial valuation as at December 31, 2008 and December 31, 2007 to determine the actuarial present value of the accrued benefits obligation.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following assumptions:

	2008	2007
Discount rate	7.20%	5.00%
Inflation rate	2.50%	2.50%
Salary increase	3.00%	3.00%
Termination rate up to age 50	5.00%	5.00%

Retirement - members of the Capital Pension Plan – at age 60
- members of the Public Service Superannuation Plan – at the earlier of age 60 (20 years of service), age 65 or 35 years of service.

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2008	Percentage Change in Obligation
Annual termination rate	Plus 0.5%	(600)	(0.4%)
	Minus 0.5%	600	0.4%
Discount rate	Plus 0.5%	(2,900)	(1.9%)
	Minus 0.5%	3,000	1.9%
General salary increase	Plus 0.5%	3,100	2.0%
	Minus 0.5%	(3,100)	(2.0%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Financial Risk Management

The nature of the Plan's operations result in a statement of net assets available for benefits, accrued pension benefits and surplus that consists entirely of financial assets and liabilities. As benefits are funded out of current operations of SaskWater, the Plan's financial risks relate primarily to credit risk. The maximum credit risk to which it is exposed at December 31, 2008 is limited to the carrying value of its contributions receivable from SaskWater.

5. Related Parties

Included in these financial statements are transactions with the Corporation who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from the Corporation at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by the Corporation.

6. Future Accounting Policy Changes

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Plan, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011 including comparative figures for the prior year.

SaskWater has engaged an external consultant to assist with scoping, planning and implementation during 2009. At this time the impact on the Plan's future financial statements is not reasonably determinable.